

null
Dianne Wampler 10/27/2006 09:57:10 AM From DB/Inbox: Dianne Wampler

Cable
Text:

UNCLAS SENSITIVE ANKARA 06122

SIPDIS
CX:

ACTION: ECON
INFO: RAO FAS MGT PMA FCS POL DCM AMB CONS PA

DISSEMINATION: ECON /1
CHARGE: PROG

APPROVED: ECON:TGOLDBERGER
DRAFTED: ECON:TGOLDBERGER
CLEARED: NONE

VZCZCAYI867
RR RUEHC RUEHXX RUCNCIS RUEHSF RUEHBM RUEHTH
RUCPDOC
DE RUEHAK #6122/01 2991458
ZNR UUUUU ZZH
R 261458Z OCT 06
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC 9624
INFO RUEHXX/ARAB ISRAELI COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUEHSF/AMEMBASSY SOFIA 1087
RUEHBM/AMEMBASSY BUCHAREST 0918
RUEHTH/AMEMBASSY ATHENS 7542
RUCPDOC/USDOC WASHDC

UNCLAS SECTION 01 OF 02 ANKARA 006122

SIPDIS

SENSITIVE

USDOC FOR ITA/MAC/CHERIE RUSNAK
USTR FOR LISA ERRION

E.O. 12958: N/A
TAGS: [ETRD](#) [ECON](#) [BEXP](#) [PREL](#) [TU](#)
SUBJECT: TURKISH REGIONAL ECONOMIC INTEGRATION IDEAS

REF: ANKARA 5781

SENSITIVE BUT UNCLASSIFIED.

1. (SBU) Guven Sak, the multitasking guru behind the Turkish-Israeli-Palestinian effort to develop the Erez Industrial Zone in northern Gaza, is widening his sights to new areas for economic and business cooperation between Turkey and its less developed neighbors. Backed by TOBB, the powerful national business federation, Sak is brainstorming ideas for integrating Turkey's economy with Mediterranean and Gulf states through an expanded "QIZ" initiative, with the Black Sea littoral through the Black Sea Economic Cooperation (BSEC) Business Council, and with the Caucasus and Central Asia in cooperation with the U.S. Chamber of Commerce's new Eurasia Business Platform. Sak argues that regional integration contributes to Turkey's economic stability and that good ties with its often troubled neighbors will make Turkey a more attractive partner for EU membership. On October 19, Sak outlined for us the various initiatives that he and his team at the Ankara-based Economic Policy Research Institute (www.tepav.org.tr) are developing in cooperation with TOBB's new "University of Economics and Technology." He sees economic cooperation with the United States as playing an important role in moving all of these initiatives forward.

Not Giving Up on Erez Project

12. (SBU) Back from a September visit to Tel Aviv, Gaza and Jerusalem -- his third this year -- Sak remains convinced of the potential of TOBB's Erez initiative to provide jobs and income for Gazans. Sak said he was well received by Israeli officials at high levels. In what he said was a new development since the war with Hizballah, Sak found them interested in mechanisms for fostering economic and institutional development in Gaza and the West Bank. This was particularly true meeting with Defense Ministry officials to discuss security arrangements for the Erez crossing. At the same time, he lamented that some officials, notably in the Finance Minisry, did not understand that encouraging Palestinian development meant streamlining complex tax transfer arrangements and providing other incentives for Palestinian areas, even if such measures are not available within Israel.

13. (SBU) Sak said the next step is for the Palestinian Chamber to decide to attend the next "Ankara Forum" (the TOBB-sponsored grouping of Israeli, Palestinian, and Turkish business associations) scheduled for November in Tel Aviv. Sak said this required political courage and President Abbas's support, which was not yet there. He also volunteered that stronger leadership was needed in the Palestinian Chamber, saying he had heard that former economy minister Mazen Sinokrot would be a good advocate for Palestinian business interest in peace and job creation. Sak said U.S. support could be helpful in encouraging Israel to include the Erez crossing in new security arrangements for Gaza crossings.

A New QIZ Concept

14. (SBU) But TOBB's Erez scheme is just a start. During a June trip, Sak stopped in Amman to visit the Tajammouat QIZ, where he met zone managers and a Turkish investor and got a better idea of the challenges of the QIZ program, especially meeting the 35% local plus Israeli value-added requirement for products to enter the United States duty-free. Sak said he is looking for ways to encourage Turkish trade and investment with the Arab world. He thought that U.S. duty and quota free access for goods produced in regional Turkish-sponsored "Special Economic Zones" on the Erez model could be such an incentive. Analogously to the QIZ program, which is limited to joint production with Israeli companies, Sak suggested that local content from countries with which the U.S. has FTA's could be cumulated with Turkish and U.S. content in such zones so as to meet more easily the 35% value-added duty free requirement. He thought this would overcome the challenge of turning new U.S. FTA's into the viable export and job generators and would encourage Turkish investment and technology and management transfer to the region. Sak said he was working on a proposal that he hoped to share with the Turkish MFA before the next meeting of the U.S.-Turkey Economic Partnership Commission.

Black Sea Business Cooperation

15. (SBU) An MFA official told us recently that even if Black Sea Economic Cooperation (BSEC) was not producing much in the way of new initiatives, at least it was obliging neighbors like Armenia, Azerbaijan, Greece, and Turkey to sit in the same room and talk to each other. Sak said that's not enough. He is working with the BSEC Secretariat on ideas to activate and strengthen the BSEC Business Council, looking to APEC's Business Council as a model. As a first step, he said Turkey will encourage the creation of a "registry" of companies doing business in the region. This would help, he hoped, create new business-to-business ties and foster a stronger business constituency for shared interests in the region. He is discussing this with Turkish officials in the run-up to Turkey's rotational BSEC leadership next year.

Excited About Caucasus and Central Asia

16. (SBU) Sak is looking forward to participating in a November 14 meeting in Istanbul of AmChams from Turkey, the Caucasus and Central Asia organized by the U.S. Chamber of Commerce's new "Eurasia Business Platform." He said TOBB and Turkish companies are already

very active in this region and that there are diverse opportunities for cooperation with U.S. companies. Like the U.S. Chamber, which recently published a study of regional transportation logistics, Sak thinks development of regional trade networks is key to the region's development. He understood that USAID and the EU were working on trade facilitation projects, and said TOBB is working with its counterpart Kazakh business organization to develop a proposal for a privately-managed border crossing. This model, which works on a BOT basis, has worked in Turkey as a tool for streamlining border procedures and strengthening incentives to boost cross border trade flows. On a longer-term track, Sak is studying potential land routes between Turkey and the east that avoid Russian and Iranian territory using trans-Caspian ferries.

----- --
Opportunities for Regional Economic Discussions
----- --

17. (SBU) Relieved of responsibilities as the public member of the Monetary Policy Council and having turned over ERPI's programs on domestic economic reform to former Central Bank Governor Serdengecti, Sak is able to give his full time attention to regional integration schemes. He thinks big, but also in concrete, practical steps. Turkey's economic dynamism and its advanced business sectors are creating new opportunities for Turkish companies to contribute to regional economic stability and growth. Sak's ideas about fostering trade and investment networks are a welcome alternative to Turkey's traditional mercantilist approach, as epitomized by Trade Minister Tuzmen's "neighbors policy." Sak sees economic cooperation with the U.S. Government and companies as prerequisites to the success of these initiatives, which should provide grist for a regional discussion within the U.S.- Turkey Economic Partnership Commission.

WILSON